

105TH CONGRESS  
2D SESSION

# H. R. 4824

To amend title II of the Social Security Act to provide for individual security accounts funded by employee and employer social security payroll deductions, to extend the solvency of the old-age, survivors, and disability insurance program, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 13, 1998

Mr. KOLBE (for himself and Mr. STENHOLM) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Rules, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend title II of the Social Security Act to provide for individual security accounts funded by employee and employer social security payroll deductions, to extend the solvency of the old-age, survivors, and disability insurance program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “21st Century Retirement Act”.

1 (b) TABLE OF CONTENTS.—The table of contents of  
 2 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Individual security accounts.
- Sec. 3. Minimum social security benefit.
- Sec. 4. Elimination of earnings test for individuals who have attained retirement age.
- Sec. 5. Reduction in the amount of certain transfers to Medicare Trust Fund.
- Sec. 6. Coverage of newly hired State and local employees.
- Sec. 7. Gradual increase in number of benefit computation years; use of all years in computation.
- Sec. 8. Actuarial adjustment for retirement.
- Sec. 9. Improvements in process for cost-of-living adjustments.
- Sec. 10. Phased reduction in spousal benefits other than survivor's benefits to 33 percent of primary insurance amount.
- Sec. 11. Adjustment to upper 2 benefit formula factors.
- Sec. 12. Phased-in increase in social security retirement ages.
- Sec. 13. Mechanism for remedying unforeseen deterioration in social security solvency.

### 3 **SEC. 2. INDIVIDUAL SECURITY ACCOUNTS.**

4 (a) ESTABLISHMENT AND MAINTENANCE OF INDIVIDUAL SECURITY ACCOUNTS.—Title II of the Social Security Act (42 U.S.C. 401 et seq.) is amended—

7 (1) by inserting before section 201 the following:  
 8 ing:

9 “PART A—INSURANCE BENEFITS”;

10 and

11 (2) by adding at the end the following:

12 “PART B—INDIVIDUAL SECURITY ACCOUNTS

13 “INDIVIDUAL SECURITY ACCOUNTS

14 “SEC. 251. (a) ESTABLISHMENT.—

15 “(1) IN GENERAL.—The Commissioner of Social Security, within 30 days of the receipt of the  
 16 first contribution received pursuant to subsection (b)  
 17

1 with respect to an eligible individual, shall establish  
2 in the name of such individual an individual security  
3 account. The individual security account shall be  
4 identified to the account holder by means of the ac-  
5 count holder's Social Security account number.

6 “(2) DEFINITION OF ELIGIBLE INDIVIDUAL.—

7 In this part, the term ‘eligible individual’ means any  
8 individual born after December 31, 1944.

9 “(b) CONTRIBUTIONS.—The Secretary of the Treas-  
10 ury shall transfer from the Federal Old-Age and Survivors  
11 Insurance Trust Fund, for crediting by the Commissioner  
12 of Social Security to an individual security account of an  
13 eligible individual, an amount equal to the sum of any  
14 amount received by such Secretary on behalf of such indi-  
15 vidual under section 3101(a)(2) or 1401(a)(2) of the In-  
16 ternal Revenue Code of 1986.

17 “(c) DESIGNATION OF INVESTMENT TYPE OF INDIVIDUAL SECURITY ACCOUNT.—

18 “(1) DESIGNATION.—Each eligible individual  
19 who is employed or self-employed shall designate the  
20 investment type of individual security account to  
21 which the contributions described in subsection (b)  
22 on behalf of such individual are to be credited.

23 “(2) FORM OF DESIGNATION.—The designation  
24 described in paragraph (1) shall be made in such  
25

1 manner and at such intervals as the Commissioner  
 2 of Social Security may prescribe in order to ensure  
 3 ease of administration and reductions in burdens on  
 4 employers.

5 “(3) SPECIAL RULE FOR 2000.—Not later than  
 6 January 1, 2000, any eligible individual that is em-  
 7 ployed or self-employed as of such date shall execute  
 8 the designation required under paragraph (1).

9 “(4) DESIGNATION IN ABSENCE OF DESIGNA-  
 10 TION BY ELIGIBLE INDIVIDUAL.—In any case in  
 11 which no designation of the individual security ac-  
 12 count is made, the Commissioner of Social Security  
 13 shall make the designation of the individual security  
 14 account in accordance with regulations that take  
 15 into account the competing objectives of maximizing  
 16 returns on investments and minimizing the risk in-  
 17 volved with such investments.

18 “DEFINITION OF INDIVIDUAL SECURITY ACCOUNT;

19 TREATMENT OF ACCOUNTS

20 “SEC. 252. (a) INDIVIDUAL SECURITY ACCOUNT.—  
 21 In this part, the term ‘individual security account’ means  
 22 any individual security account in the Individual Security  
 23 Fund (established under section 254) which is adminis-  
 24 tered by the Individual Security Fund Board.

25 “(b) TREATMENT OF ACCOUNT.—Except as other-  
 26 wise provided in this part, any individual security account

1 described in paragraph (1)(A) shall be treated in the same  
2 manner as an individual account in the Thrift Savings  
3 Fund under subchapter III of chapter 84 of title 5, United  
4 States Code.

5 “INDIVIDUAL SECURITY ACCOUNT DISTRIBUTIONS

6 “SEC. 253. (a) DATE OF INITIAL DISTRIBUTION.—

7 Except as provided in subsection (c), distributions may  
8 only be made from an individual security account of an  
9 eligible individual on and after the earliest of—

10 “(1) the date the eligible individual attains nor-  
11 mal retirement age, as determined under section 216  
12 (or early retirement age (as so determined) if elected  
13 by such individual), or

14 “(2) the date on which funds in the eligible in-  
15 dividual’s individual security account are sufficient  
16 to provide a monthly payment over the life expect-  
17 ancy of the eligible individual (determined under rea-  
18 sonable actuarial assumptions) which, when added to  
19 the eligible individual’s monthly benefit under part A  
20 (if any), is at least equal to an amount equal to  $\frac{1}{12}$   
21 of the poverty line (as defined in section 673(2) of  
22 the Community Services Block Grant Act (42 U.S.C.  
23 9902(2) and determined on such date for a family  
24 of the size involved) and adjusted annually there-  
25 after by the adjustment determined under section  
26 215(i).

1 “(b) FORMS OF DISTRIBUTION.—

2 “(1) REQUIRED MONTHLY PAYMENTS.—Except  
3 as provided in paragraph (2), beginning with the  
4 date determined under subsection (a), the balance in  
5 an individual security account available to provide  
6 monthly payments not in excess of the amount de-  
7 scribed in subsection (a)(2) shall be paid, as elected  
8 by the account holder (in such form and manner as  
9 shall be prescribed in regulations of the Individual  
10 Security Fund Board), by means of the purchase of  
11 annuities or equal monthly payments over the life  
12 expectancy of the eligible individual (determined  
13 under reasonable actuarial assumptions) in accord-  
14 ance with requirements (which shall be provided in  
15 regulations of the Board) similar to the require-  
16 ments applicable to payments of benefits under sub-  
17 chapter III of chapter 84 of title 5, United States  
18 Code, and providing for indexing for inflation.

19 “(2) PAYMENT OF EXCESS FUNDS.—To the ex-  
20 tent funds remain in an eligible individual’s individ-  
21 ual security account after the application of para-  
22 graph (1), such funds shall be payable to the eligible  
23 individual in such manner and in such amounts as  
24 determined by the eligible individual, subject to the

1 provisions of subchapter III of chapter 84 of title 5,  
2 United States Code.

3 “(c) DISTRIBUTION IN THE EVENT OF DEATH BE-  
4 FORE THE DATE OF INITIAL DISTRIBUTION.—If the eligi-  
5 ble individual dies before the date determined under sub-  
6 section (a), the balance in such individual’s individual se-  
7 curity account shall be distributed in a lump sum, under  
8 rules established by the Individual Security Fund Board,  
9 to the employee’s heirs.

10 “INDIVIDUAL SECURITY FUND

11 “SEC. 254. (a) ESTABLISHMENT.—There is estab-  
12 lished and maintained in the Treasury of the United  
13 States an Individual Security Fund in the same manner  
14 as the Thrift Savings Fund under sections 8437, 8438,  
15 and 8439 (but not section 8440) of title 5, United States  
16 Code.

17 “(b) INDIVIDUAL SECURITY FUND BOARD.—

18 “(1) IN GENERAL.—There is established and  
19 operated in the Social Security Administration an  
20 Individual Security Fund Board in the same manner  
21 as the Federal Retirement Thrift Investment Board  
22 under subchapter VII of chapter 84 of title 5,  
23 United States Code.

24 “(2) SPECIFIC INVESTMENT AND REPORTING  
25 DUTIES.—

1           “(A) IN GENERAL.—The Individual Secu-  
2           rity Fund Board shall manage and report on  
3           the activities of the Individual Security Fund  
4           and the individual security accounts of such  
5           Fund in the same manner as the Federal Re-  
6           tirement Thrift Investment Board manages and  
7           reports on the Thrift Savings Fund and the in-  
8           dividual accounts of such Fund under sub-  
9           chapter VII of chapter 84 of title 5, United  
10          States Code.

11          “(B) STUDY AND REPORT ON INCREASED  
12          INVESTMENT OPTIONS.—

13               “(i) STUDY.—The Individual Security  
14               Fund Board shall conduct a study regard-  
15               ing ways to increase an eligible individual’s  
16               investment options with respect to such in-  
17               dividual’s individual security account and  
18               with respect to rollovers or distributions  
19               from such account.

20               “(ii) REPORT.—Not later than 2  
21               years after the date of enactment of the  
22               Strengthening Social Security Act of 1998,  
23               the Individual Security Fund Board shall  
24               submit a report to the President and Con-  
25               gress that contains a detailed statement of



1 the results of the study conducted pursu-  
 2 ant to clause (i), together with the Board's  
 3 recommendations for such legislative ac-  
 4 tions as the Board considers appropriate.

5 “BUDGETARY TREATMENT OF INDIVIDUAL SECURITY  
 6 FUND AND ACCOUNTS

7 “SEC. 255. The receipts and disbursements of the In-  
 8 dividual Security Fund and any accounts within such fund  
 9 shall not be included in the totals of the budget of the  
 10 United States Government as submitted by the President  
 11 or of the congressional budget and shall be exempt from  
 12 any general budget limitation imposed by statute on ex-  
 13 penditures and net lending (budget outlays) of the United  
 14 States Government.”.

15 (b) MODIFICATION OF FICA RATES.—

16 (1) EMPLOYEES.—Section 3101(a) of the Inter-  
 17 nal Revenue Code of 1986 (relating to tax on em-  
 18 ployees) is amended to read as follows:

19 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
 20 ANCE.—

21 “(1) IN GENERAL.—

22 “(A) INDIVIDUALS COVERED UNDER PART  
 23 A OF TITLE II OF THE SOCIAL SECURITY ACT.—

24 In addition to other taxes, there is hereby im-  
 25 posed on the income of every individual who is  
 26 not a part B eligible individual a tax equal to

1           6.2 percent of the wages (as defined in section  
2           3121(a)) received by him with respect to em-  
3           ployment (as defined in section 3121(b)).

4           “(B) INDIVIDUALS COVERED UNDER PART  
5           B OF TITLE II OF THE SOCIAL SECURITY ACT.—

6           In addition to other taxes, there is hereby im-  
7           posed on the income of every part B eligible in-  
8           dividual a tax equal to 4.2 percent of the wages  
9           (as defined in section 3121(a)) received by such  
10          individual with respect to employment (as de-  
11          fined in section 3121(b)).

12          “(2) CONTRIBUTION OF OASDI TAX REDUCTION  
13          TO INDIVIDUAL SECURITY ACCOUNTS.—

14          “(A) IN GENERAL.—In addition to other  
15          taxes, there is hereby imposed on the income of  
16          every part B eligible individual an individual se-  
17          curity account contribution equal to the sum  
18          of—

19                  “(i) 2 percent of the wages (as so de-  
20                  fined) received by such individual with re-  
21                  spect to employment (as so defined), plus

22                  “(ii) so much of such wages (not to  
23                  exceed \$2,000) as designated by the indi-  
24                  vidual in the same manner as described in  
25                  section 251(c) of the Social Security Act.

1 “(B) INFLATION ADJUSTMENT.—

2 “(i) IN GENERAL.—In the case of any  
3 calendar year beginning after 2000, the  
4 dollar amount in subparagraph (A)(ii)  
5 shall be increased by an amount equal to—

6 “(I) such dollar amount, multi-  
7 plied by

8 “(II) the cost-of-living adjust-  
9 ment determined under section 1(f)(3)  
10 for the calendar year, determined by  
11 substituting ‘calendar year 1999’ for  
12 ‘calendar year 1992’ in subparagraph  
13 (B) thereof.

14 “(ii) ROUNDING.—If any dollar  
15 amount after being increased under clause  
16 (i) is not a multiple of \$10, such dollar  
17 amount shall be rounded to the nearest  
18 multiple of \$10.”.

19 (2) SELF-EMPLOYED.—Section 1401(a) of the  
20 Internal Revenue Code of 1986 (relating to tax on  
21 self-employment income) is amended to read as fol-  
22 lows:

23 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-  
24 ANCE.—

25 “(1) IN GENERAL.—

1           “(A) INDIVIDUALS COVERED UNDER PART  
2           A OF THE SOCIAL SECURITY ACT.—In addition  
3           to other taxes, there shall be imposed for each  
4           taxable year, on the self-employment income of  
5           every individual who is not a part B eligible in-  
6           dividual for the calendar year ending with or  
7           during such taxable year, a tax equal to 12.40  
8           percent of the amount of the self-employment  
9           income for such taxable year.

10           “(B) INDIVIDUALS COVERED UNDER PART  
11           B OF TITLE II OF THE SOCIAL SECURITY ACT.—  
12           In addition to other taxes, there is hereby im-  
13           posed for each taxable year, on the self-employ-  
14           ment income of every part B eligible individual,  
15           a tax equal to 10.4 percent of the amount of  
16           the self-employment income for such taxable  
17           year.

18           “(2) CONTRIBUTION OF OASDI TAX REDUCTION  
19           TO INDIVIDUAL SECURITY ACCOUNTS.—

20           “(A) IN GENERAL.—In addition to other  
21           taxes, there is hereby imposed for each taxable  
22           year, on the self-employment income of every  
23           individual, an individual security account con-  
24           tribution equal to the sum of—

1 “(i) 2 percent of the amount of the  
2 self-employment income for each individual  
3 for such taxable year; and

4 “(ii) so much of such self-employment  
5 income (not to exceed \$2,000) as des-  
6 ignated by the individual in the same man-  
7 ner as described in section 251(c) of the  
8 Social Security Act.

9 “(B) INFLATION ADJUSTMENT.—

10 “(i) IN GENERAL.—In the case of any  
11 taxable year beginning after 2000, the dol-  
12 lar amount in subparagraph (A)(ii) shall  
13 be increased by an amount equal to—

14 “(I) such dollar amount, multi-  
15 plied by

16 “(II) the cost-of-living adjust-  
17 ment determined under section 1(f)(3)  
18 for the calendar year in which the tax-  
19 able year begins, determined by sub-  
20 stituting ‘calendar year 1999’ for ‘cal-  
21 endar year 1992’ in subparagraph (B)  
22 thereof.

23 “(ii) ROUNDING.—If any dollar  
24 amount after being increased under clause  
25 (i) is not a multiple of \$10, such dollar

1 amount shall be rounded to the nearest  
2 multiple of \$10.”.

3 (3) PART B ELIGIBLE INDIVIDUAL.—

4 (A) TAXES ON EMPLOYEES.—Section 3121  
5 of such Code (relating to definitions) is amend-  
6 ed by inserting after subsection (s) the follow-  
7 ing new subsection:

8 “(t) PART B ELIGIBLE INDIVIDUAL.—For purposes  
9 of this chapter, the term ‘part B eligible individual’ means,  
10 for any calendar year, an individual who is an eligible indi-  
11 vidual (as defined in section 251(a)(2) of the Social Secu-  
12 rity Act) for such calendar year.”.

13 (B) SELF-EMPLOYMENT TAX.—Section  
14 1402 of such Code (relating to definitions) is  
15 amended by adding at the end the following  
16 new subsection:

17 “(k) PART B ELIGIBLE INDIVIDUAL.—The term  
18 ‘part B eligible individual’ means, for any calendar year,  
19 an individual who is an eligible individual (as defined in  
20 section 251(a)(2) of the Social Security Act) for such cal-  
21 endar year.”.

22 (4) EFFECTIVE DATES.—

23 (A) EMPLOYEES.—The amendments made  
24 by paragraphs (1) and (3)(A) apply to remu-  
25 nation paid after December 31, 1999.

1 (B) SELF-EMPLOYED INDIVIDUALS.—The  
 2 amendments made by paragraphs (2) and  
 3 (3)(B) apply to taxable years beginning after  
 4 December 31, 1999.

5 **SEC. 3. MINIMUM SOCIAL SECURITY BENEFIT.**

6 Section 215 of the Social Security Act (42 U.S.C.  
 7 415) is amended by adding at the end the following:

8 “Minimum Monthly Insurance Benefit

9 “(j)(1) Notwithstanding the preceding provisions of  
 10 this section—

11 “(A) the primary insurance amount of a quali-  
 12 fied individual shall be equal to the greater of—

13 “(i) the primary insurance amount deter-  
 14 mined under this section (without regard to this  
 15 subsection), or

16 “(ii)  $\frac{1}{12}$  of the applicable percentage of  
 17 the applicable amount, and

18 “(B) any recomputation of the primary insur-  
 19 ance amount of a qualified individual shall not result  
 20 in a primary insurance amount less than the pri-  
 21 mary insurance amount as in effect immediately  
 22 prior to such recomputation.

23 “(2) For purposes of this subsection—

24 “(A) The term ‘qualified individual’ means an  
 25 individual—

1           “(i) who initially becomes eligible for old-  
2           age or disability insurance benefits, or dies (be-  
3           fore becoming eligible for such benefits) for a  
4           month beginning after December 31, 2005, and

5           “(ii) who has at least twice the minimum  
6           number of quarters required to be fully insured.

7           “(B) The term ‘applicable amount’ means, in  
8           connection with an individual, \$7,992 adjusted an-  
9           nually—

10           “(i)(I) with respect to an individual whose  
11           initial month of eligibility occurs in a year prior  
12           to 2011, by the CPI increase percentage deter-  
13           mined under section 215(i) for 1996 through  
14           the year prior to such year of eligibility; and

15           “(II) with respect to an individual whose  
16           initial month of eligibility occurs in a year after  
17           2010, by the CPI increase percentage deter-  
18           mined under such section for 1996 through  
19           2009, and by the wage increase percentage de-  
20           termined under such section for 2009 through  
21           the second year prior to the year of such eligi-  
22           bility; and

23           “(ii) by the CPI increase percentage deter-  
24           mined under such section for all years begin-



1           ning with the year of an individual’s initial eli-  
2           gibility.

3           “(C)(i) The term ‘applicable percentage’ means,  
4           for computations and recomputations of a qualified  
5           individual’s primary insurance amount under this  
6           section whose initial eligibility occurs in any calendar  
7           year specified in the table under clause (ii), the sum  
8           of—

9                   “(I) the applicable base percentage speci-  
10               fied in such table in connection with such year,  
11               plus

12                   “(II) the product derived by multiplying  
13               the applicable percentage increment specified in  
14               such table in connection with such year by the  
15               ratio of the number of such individual’s quar-  
16               ters of coverage (if any) in excess of the mini-  
17               mum number of quarters required to be fully  
18               insured but not in excess of twice such mini-  
19               mum, to such minimum.

20           “(ii) For purposes of clause (i), the applicable  
21           base percentages and applicable percentage incre-  
22           ments are set forth in connection with calendar  
23           years in the following table:

<b>“If the calendar year is:</b>	<b>The applicable base percentage is:</b>	<b>And the applicable percentage incre- ment is:</b>
2006 .....	12 percent .....	8 percent
2007 .....	24 percent .....	16 percent

2008 .....	36 percent .....	24 percent
2009 .....	48 percent .....	32 percent
After 2009 .....	60 percent .....	40 percent.”

1 **SEC. 4. ELIMINATION OF EARNINGS TEST FOR INDIVID-**  
2 **UALS WHO HAVE ATTAINED RETIREMENT**  
3 **AGE.**

4 (a) IN GENERAL.—Section 203 of the Social Security  
5 Act (42 U.S.C. 403) is amended—

6 (1) in subsection (c)(1), by striking “the age of  
7 seventy” and inserting “retirement age (as defined  
8 in section 216(l))”;

9 (2) in paragraphs (1)(A) and (2) of subsection  
10 (d), by striking “the age of seventy” each place it  
11 appears and inserting “retirement age (as defined in  
12 section 216(l))”;

13 (3) in subsection (f)(1)(B), by striking “was  
14 age seventy or over” and inserting “was at or above  
15 retirement age (as defined in section 216(l))”;

16 (4) in subsection (f)(3)—

17 (A) by striking “33 $\frac{1}{3}$  percent” and all  
18 that follows through “any other individual,”  
19 and inserting “50 percent of such individual’s  
20 earnings for such year in excess of the product  
21 of the exempt amount as determined under  
22 paragraph (8),”; and

23 (B) by striking “age 70” and inserting  
24 “retirement age (as defined in section 216(l))”;

1           (5) in subsection (h)(1)(A), by striking “age  
2       70” each place it appears and inserting “retirement  
3       age (as defined in section 216(l))”; and

4           (6) in subsection (j)—

5               (A) in the heading, by striking “Age Sev-  
6       enty” and inserting “Retirement Age”; and

7               (B) by striking “seventy years of age” and  
8       inserting “having attained retirement age (as  
9       defined in section 216(l))”.

10       (b) CONFORMING AMENDMENTS ELIMINATING THE  
11   SPECIAL EXEMPT AMOUNT FOR INDIVIDUALS WHO HAVE  
12   ATTAINED RETIREMENT AGE.—

13           (1) UNIFORM EXEMPT AMOUNT.—Section  
14       203(f)(8)(A) of the Social Security Act (42 U.S.C.  
15       403(f)(8)(A)) is amended by striking “the new ex-  
16       empt amounts (separately stated for individuals de-  
17       scribed in subparagraph (D) and for other individ-  
18       uals) which are to be applicable” and inserting “a  
19       new exempt amount which shall be applicable”.

20           (2) CONFORMING AMENDMENTS.—Section  
21       203(f)(8)(B) of such Act (42 U.S.C. 403(f)(8)(B))  
22       is amended—

23               (A) in the matter preceding clause (i), by  
24       striking “Except” and all that follows through  
25       “whichever” and inserting “The exempt amount

which is applicable for each month of a particular taxable year shall be whichever”;

(B) in clauses (i) and (ii), by striking “corresponding” each place it appears; and

(C) in the last sentence, by striking “an exempt amount” and inserting “the exempt amount”.

(3) REPEAL OF BASIS FOR COMPUTATION OF SPECIAL EXEMPT AMOUNT.—Section 203(f)(8)(D) of such Act (42 U.S.C. 403(f)(8)(D)) is repealed.

(c) ADDITIONAL CONFORMING AMENDMENTS.—

(1) ELIMINATION OF REDUNDANT REFERENCES TO RETIREMENT AGE.—Section 203 of the Social Security Act (42 U.S.C. 403) is amended—

(A) in subsection (c), in the last sentence, by striking “nor shall any deduction” and all that follows and inserting “nor shall any deduction be made under this subsection from any widow’s or widower’s insurance benefit if the widow, surviving divorced wife, widower, or surviving divorced husband involved became entitled to such benefit prior to attaining age 60.”; and

(B) in subsection (f)(1), by striking subparagraph (D) and inserting the following: “(D)

1           for which such individual is entitled to widow's  
2           or widower's insurance benefits if such individ-  
3           ual became so entitled prior to attaining age  
4           60,".

5           (2) CONFORMING AMENDMENT TO PROVISIONS  
6           FOR DETERMINING AMOUNT OF INCREASE ON AC-  
7           COUNT OF DELAYED RETIREMENT.—Section  
8           202(w)(2)(B)(ii) of such Act (42 U.S.C.  
9           402(w)(2)(B)(ii)) is amended—

10                   (A) by striking “either”; and

11                   (B) by striking “or suffered deductions  
12           under section 203(b) or 203(c) in amounts  
13           equal to the amount of such benefit”.

14           (3) PROVISIONS RELATING TO EARNINGS  
15           TAKEN INTO ACCOUNT IN DETERMINING SUBSTAN-  
16           TIAL GAINFUL ACTIVITY OF BLIND INDIVIDUALS.—  
17           The second sentence of section 223(d)(4) of such  
18           Act (42 U.S.C. 423(d)(4)) is amended by striking  
19           “if section 102 of the Senior Citizens' Right to  
20           Work Act of 1996 had not been enacted” and insert-  
21           ing the following: “if the amendments to section 203  
22           made by section 102 of the Senior Citizens' Right to  
23           Work Act of 1996 and by the Strengthening Social  
24           Security Act of 1998 had not been enacted”.

1 (d) EFFECTIVE DATE.—The amendments and re-  
 2 peals made by this section shall apply with respect to tax-  
 3 able years ending after December 31, 1999.

4 **SEC. 5. REDUCTION IN THE AMOUNT OF CERTAIN TRANS-**  
 5 **FERS TO MEDICARE TRUST FUND.**

6 Subparagraph (A) of section 121(e)(1) of the Social  
 7 Security Amendments of 1983 (42 U.S.C. 401 note), as  
 8 amended by section 13215(c)(1) of the Omnibus Budget  
 9 Reconciliation Act of 1993, is amended—

10 (1) in clause (ii), by striking “the amounts”  
 11 and inserting “the applicable percentage of the  
 12 amounts”; and

13 (2) by adding at the end the following: “For  
 14 purposes of clause (ii), the applicable percentage for  
 15 a year is equal to 100 percent, reduced (but not  
 16 below zero) by 10 percentage points for each year  
 17 after 2009.”.

18 **SEC. 6. COVERAGE OF NEWLY HIRED STATE AND LOCAL**  
 19 **EMPLOYEES.**

20 (a) AMENDMENTS TO THE SOCIAL SECURITY ACT.—

21 (1) IN GENERAL.—Paragraph (7) of section  
 22 210(a) of the Social Security Act (42 U.S.C.  
 23 410(a)(7)) is amended to read as follows:

24 “(7) Excluded State or local government em-  
 25 ployment (as defined in subsection (s));”.

1           (2) EXCLUDED STATE OR LOCAL GOVERNMENT  
2       EMPLOYMENT.—

3           (A) IN GENERAL.—Section 210 of such  
4       Act (42 U.S.C. 410) is amended by adding at  
5       the end the following:

6       “Excluded State or Local Government Employment

7       “(s)(1) IN GENERAL.—The term ‘excluded State or  
8       local government employment’ means any service per-  
9       formed in the employ of a State, of any political subdivi-  
10      sion thereof, or of any instrumentality of any 1 or more  
11      of the foregoing which is wholly owned thereby, if—

12           “(A)(i) such service would be excluded from the  
13      term ‘employment’ for purposes of this title if the  
14      preceding provisions of this section as in effect on  
15      December 31, 1999, had remained in effect, and (ii)  
16      the requirements of paragraph (2) are met with re-  
17      spect to such service, or

18           “(B) the requirements of paragraph (3) are met  
19      with respect to such service.

20       “(2) EXCEPTION FOR CURRENT EMPLOYMENT  
21      WHICH CONTINUES.—

22           “(A) IN GENERAL.—The requirements of this  
23      paragraph are met with respect to service for any  
24      employer if—

1           “(i) such service is performed by an indi-  
2           vidual—

3                   “(I) who was performing substantial  
4                   and regular service for remuneration for  
5                   that employer before January 1, 2000,

6                   “(II) who is a bona fide employee of  
7                   that employer on December 31, 1999, and

8                   “(III) whose employment relationship  
9                   with that employer was not entered into  
10                  for purposes of meeting the requirements  
11                  of this subparagraph, and

12                  “(ii) the employment relationship with that  
13                  employer has not been terminated after Decem-  
14                  ber 31, 1999.

15           “(B) TREATMENT OF MULTIPLE AGENCIES AND  
16           INSTRUMENTALITIES.—For purposes of subpara-  
17           graph (A), under regulations (consistent with regula-  
18           tions established under section 3121(t)(2)(B) of the  
19           Internal Revenue Code of 1986)—

20                   “(i) all agencies and instrumentalities of a  
21                   State (as defined in section 218(b)) or of the  
22                   District of Columbia shall be treated as a single  
23                   employer, and

24                   “(ii) all agencies and instrumentalities of a  
25                  political subdivision of a State (as so defined)



1           shall be treated as a single employer and shall  
2           not be treated as described in clause (i).

3           “(3) EXCEPTION FOR CERTAIN SERVICES.—

4           “(A) IN GENERAL.—The requirements of this  
5           paragraph are met with respect to service if such  
6           service is performed—

7           “(i) by an individual who is employed by a  
8           State or political subdivision thereof to relieve  
9           such individual from unemployment,

10           “(ii) in a hospital, home, or other institu-  
11           tion by a patient or inmate thereof as an em-  
12           ployee of a State or political subdivision thereof  
13           or of the District of Columbia,

14           “(iii) by an individual, as an employee of  
15           a State or political subdivision thereof or of the  
16           District of Columbia, serving on a temporary  
17           basis in case of fire, storm, snow, earthquake,  
18           flood, or other similar emergency,

19           “(iv) by any individual as an employee in-  
20           cluded under section 5351(2) of title 5, United  
21           States Code (relating to certain interns, student  
22           nurses, and other student employees of hos-  
23           pitals of the District of Columbia Government),  
24           other than as a medical or dental intern or a  
25           medical or dental resident in training,

1           “(v) by an election official or election  
2           worker if the remuneration paid in a calendar  
3           year for such service is less than \$1,000 with  
4           respect to service performed during 2000, and  
5           the adjusted amount determined under sub-  
6           paragraph (C) for any subsequent year with re-  
7           spect to service performed during such subse-  
8           quent year, except to the extent that service by  
9           such election official or election worker is in-  
10          cluded in employment under an agreement  
11          under section 218, or

12          “(vi) by an employee in a position com-  
13          pensated solely on a fee basis which is treated  
14          pursuant to section 211(c)(2)(E) as a trade or  
15          business for purposes of inclusion of such fees  
16          in net earnings from self-employment.

17          “(B) DEFINITIONS.—As used in this para-  
18          graph, the terms ‘State’ and ‘political subdivision’  
19          have the meanings given those terms in section  
20          218(b).

21          “(C) ADJUSTMENTS TO DOLLAR AMOUNT FOR  
22          ELECTION OFFICIALS AND ELECTION WORKERS.—  
23          For each year after 2000, the Secretary shall adjust  
24          the amount referred to in subparagraph (A)(v) at  
25          the same time and in the same manner as is pro-

vided under section 215(a)(1)(B)(ii) with respect to  
the amounts referred to in section 215(a)(1)(B)(i),  
except that—

“(i) for purposes of this subparagraph,  
1997 shall be substituted for the calendar year  
referred to in section 215(a)(1)(B)(ii)(II), and

“(ii) such amount as so adjusted, if not a  
multiple of \$50, shall be rounded to the nearest  
multiple of \$50.

The Commissioner of Social Security shall determine  
and publish in the Federal Register each adjusted  
amount determined under this subparagraph not  
later than November 1 preceding the year for which  
the adjustment is made.”.

(B) CONFORMING AMENDMENTS.—

(i) Subsection (k) of section 210 of  
such Act (42 U.S.C. 410(k)) (relating to  
covered transportation service) is repealed.

(ii) Section 210(p) of such Act (42  
U.S.C. 410(p)) is amended—

(I) in paragraph (2), by striking  
“service is performed” and all that  
follows and inserting “service is serv-  
ice described in subsection (s)(3)(A).”;  
and

1 (II) in paragraph (3)(A), by in-  
2 serting “under subsection (a)(7) as in  
3 effect on December 31, 1999” after  
4 “section”.

5 (iii) Section 218(c)(6) of such Act (42  
6 U.S.C. 418(c)(6)) is amended—

7 (I) by striking subparagraph (C);

8 (II) by redesignating subpara-  
9 graphs (D) and (E) as subparagraphs  
10 (C) and (D), respectively; and

11 (III) by striking subparagraph  
12 (F) and inserting the following:

13 “(E) service which is included as employment  
14 under section 210(a).”.

15 (b) AMENDMENTS TO THE INTERNAL REVENUE  
16 CODE OF 1986.—

17 (1) IN GENERAL.—Paragraph (7) of section  
18 3121(b) of the Internal Revenue Code of 1986 (re-  
19 lating to employment) is amended to read as follows:

20 “(7) excluded State or local government em-  
21 ployment (as defined in subsection (t));”.

22 (2) EXCLUDED STATE OR LOCAL GOVERNMENT  
23 EMPLOYMENT.—Section 3121 of such Code is  
24 amended by inserting after subsection (s) the follow-  
25 ing:

1       “(t) EXCLUDED STATE OR LOCAL GOVERNMENT EM-  
2   PLOYMENT.—

3           “(1) IN GENERAL.—For purposes of this chap-  
4   ter, the term ‘excluded State or local government  
5   employment’ means any service performed in the  
6   employ of a State, of any political subdivision there-  
7   of, or of any instrumentality of any 1 or more of the  
8   foregoing which is wholly owned thereby, if—

9           “(A)(i) such service would be excluded  
10   from the term ‘employment’ for purposes of this  
11   chapter if the provisions of subsection (b)(7) as  
12   in effect on December 31, 1999, had remained  
13   in effect, and (ii) the requirements of para-  
14   graph (2) are met with respect to such service,  
15   or

16          “(B) the requirements of paragraph (3)  
17   are met with respect to such service.

18          “(2) EXCEPTION FOR CURRENT EMPLOYMENT  
19   WHICH CONTINUES.—

20          “(A) IN GENERAL.—The requirements of  
21   this paragraph are met with respect to service  
22   for any employer if—

23           “(i) such service is performed by an  
24   individual—

1 “(I) who was performing sub-  
2 stantial and regular service for remun-  
3 eration for that employer before Jan-  
4 uary 1, 2000,

5 “(II) who is a bona fide employee  
6 of that employer on December 31,  
7 1999, and

8 “(III) whose employment rela-  
9 tionship with that employer was not  
10 entered into for purposes of meeting  
11 the requirements of this subpara-  
12 graph, and

13 “(ii) the employment relationship with  
14 that employer has not been terminated  
15 after December 31, 1999.

16 “(B) TREATMENT OF MULTIPLE AGENCIES  
17 AND INSTRUMENTALITIES.—For purposes of  
18 subparagraph (A), under regulations—

19 “(i) all agencies and instrumentalities  
20 of a State (as defined in section 218(b) of  
21 the Social Security Act) or of the District  
22 of Columbia shall be treated as a single  
23 employer, and

24 “(ii) all agencies and instrumentalities  
25 of a political subdivision of a State (as so

1 defined) shall be treated as a single em-  
2 ployer and shall not be treated as de-  
3 scribed in clause (i).

4 “(3) EXCEPTION FOR CERTAIN SERVICES.—

5 “(A) IN GENERAL.—The requirements of  
6 this paragraph are met with respect to service  
7 if such service is performed—

8 “(i) by an individual who is employed  
9 by a State or political subdivision thereof  
10 to relieve such individual from unemploy-  
11 ment,

12 “(ii) in a hospital, home, or other in-  
13 stitution by a patient or inmate thereof as  
14 an employee of a State or political subdivi-  
15 sion thereof or of the District of Columbia,

16 “(iii) by an individual, as an employee  
17 of a State or political subdivision thereof  
18 or of the District of Columbia, serving on  
19 a temporary basis in case of fire, storm,  
20 snow, earthquake, flood, or other similar  
21 emergency,

22 “(iv) by any individual as an employee  
23 included under section 5351(2) of title 5,  
24 United States Code (relating to certain in-  
25 terns, student nurses, and other student

1 employees of hospitals of the District of  
2 Columbia Government), other than as a  
3 medical or dental intern or a medical or  
4 dental resident in training,

5 “(v) by an election official or election  
6 worker if the remuneration paid in a cal-  
7 endar year for such service is less than  
8 \$1,000 with respect to service performed  
9 during 2000, and the adjusted amount de-  
10 termined under section 210(s)(3)(C) of the  
11 Social Security Act for any subsequent  
12 year with respect to service performed dur-  
13 ing such subsequent year, except to the ex-  
14 tent that service by such election official or  
15 election worker is included in employment  
16 under an agreement under section 218 of  
17 the Social Security Act, or

18 “(vi) by an employee in a position  
19 compensated solely on a fee basis which is  
20 treated pursuant to section 1402(c)(2)(E)  
21 as a trade or business for purposes of in-  
22 clusion of such fees in net earnings from  
23 self-employment.

24 “(B) DEFINITIONS.—As used in this para-  
25 graph, the terms ‘State’ and ‘political subdivi-



1           sion’ have the meanings given those terms in  
2           section 218(b) of the Social Security Act.”.

3           (3) CONFORMING AMENDMENTS.—

4                 (A) Subsection (j) of section 3121 of such  
5           Code (relating to covered transportation serv-  
6           ice) is repealed.

7                 (B) Paragraph (2) of section 3121(u) of  
8           such Code (relating to application of hospital  
9           insurance tax to Federal, State, and local em-  
10          ployment) is amended—

11                     (i) in subparagraph (B), by striking  
12                     “service is performed” in clause (ii) and all  
13                     that follows through the end of such sub-  
14                     paragraph and inserting “service is service  
15                     described in subsection (t)(3)(A).”; and

16                     (ii) in subparagraph (C)(i), by insert-  
17                     ing “under subsection (b)(7) as in effect  
18                     on December 31, 1999” after “chapter”.

19           (c) EFFECTIVE DATE.—Except as otherwise provided  
20   in this section, the amendments made by this section shall  
21   apply with respect to service performed after December  
22   31, 1999.

1 **SEC. 7. GRADUAL INCREASE IN NUMBER OF BENEFIT COM-**  
2 **PUTATION YEARS; USE OF ALL YEARS IN**  
3 **COMPUTATION.**

4 (a) IN GENERAL.—Section 215(b)(2)(A) of the Social  
5 Security Act (42 U.S.C. 415(b)(2)(A)) is amended—

6 (1) in clause (i), by striking “5 years” and in-  
7 serting “the applicable number of years for purposes  
8 of this clause”; and

9 (2) by striking “Clause (ii),” in the matter fol-  
10 lowing clause (ii) and inserting the following:

11 “For purposes of clause (i), the applicable number of years  
12 is the number of years specified in connection with the  
13 year in which such individual reaches early retirement age  
14 (as defined in section 216(l)(2)), or, if earlier, the calendar  
15 year in which such individual dies, as set forth in the fol-  
16 lowing table:

<b>“If such calendar year is:</b>	<b>The applicable number of years is:</b>
2002 .....	4.
2003 .....	4.
2004 .....	3.
2005 .....	3.
2006 .....	2.
2007 .....	2.
2008 .....	1.
2009 .....	1.
After 2009 .....	0.

17 Clause (ii),”.

18 (b) USE OF ALL YEARS IN COMPUTATION.—

19 (1) IN GENERAL.—Section 215(b)(2)(B) of the  
20 Social Security Act (42 U.S.C. 415(b)(2)(B)) is

1 amended by striking clauses (i) and (ii) and insert-  
 2 ing the following:

3 “(i)(I) for calendar years after 2001 and before  
 4 2010, the term ‘benefit computation years’ means  
 5 those computation base years equal in number to the  
 6 number determined under subparagraph (A) plus  
 7 the applicable number of years determined under  
 8 subclause (III), for which the total of such individ-  
 9 ual’s wages and self-employment income, after ad-  
 10 justment under paragraph (3), is the largest;

11 “(II) for calendar years after 2009, the term  
 12 ‘benefit computation years’ means all of the com-  
 13 putation base years; and

14 “(III) for purposes of subclause (I), the applica-  
 15 ble number of years is the number of years specified  
 16 in connection with the year in which such individual  
 17 reaches early retirement age (as defined in section  
 18 216(l)(2)), or, if earlier, the calendar year in which  
 19 such individual dies, as set forth in the following  
 20 table:

<b>“If such calendar year is:</b>	<b>The applicable number of years is:</b>
Before 2002 .....	0.
2002 .....	1.
2003 .....	1.
2004 .....	2.
2005 .....	2.
2006 .....	3.
2007 .....	3.
2008 .....	4.
2009 .....	4.

1           “(ii) the term ‘computation base years’ means  
2           the calendar years after 1950, except that such term  
3           excludes any calendar year entirely included in a pe-  
4           riod of disability; and”.

5           (2) CONFORMING AMENDMENT.—Section  
6           215(b)(1)(B) of the Social Security Act (42 U.S.C.  
7           415(b)(1)(B)) is amended by striking “in those  
8           years” and inserting “in an individual’s computation  
9           base years determined under paragraph (2)(A)”.

10          (c) EFFECTIVE DATE.—

11           (1) SUBSECTION (a).—The amendments made  
12           by subsection (a) shall apply with respect to individ-  
13           uals attaining early retirement age (as defined in  
14           section 216(l)(2) of the Social Security Act) after  
15           December 31, 2001.

16           (2) SUBSECTION (b).—The amendment made  
17           by subsection (b) shall apply to benefit computation  
18           years beginning after December 31, 1999.

19 **SEC. 8. ACTUARIAL ADJUSTMENT FOR RETIREMENT.**

20          (a) EARLY RETIREMENT.—

21           (1) IN GENERAL.—Section 202(q) of the Social  
22           Security Act (42 U.S.C. 402(q)) is amended—

23                   (A) in paragraph (1)(A), by striking “ $\frac{5}{9}$ ”  
24                   and inserting “the applicable fraction (deter-  
25                   mined under paragraph (12))”; and

1 (B) by adding at the end the following:

2 “(12) For purposes of paragraph (1)(A), the ‘applica-  
3 ble fraction’ for an individual who attains the age of 62  
4 in—

5 “(A) any year before 2001, is  $\frac{5}{9}$ ;

6 “(B) 2001, is  $\frac{7}{12}$ ;

7 “(C) 2002, is  $\frac{11}{18}$ ;

8 “(D) 2003, is  $\frac{23}{36}$ ;

9 “(E) 2004, is  $\frac{2}{3}$ ; and

10 “(F) 2005 or any succeeding year, is  $\frac{25}{36}$ .”.

11 (2) MONTHS BEYOND FIRST 36 MONTHS.—Sec-  
12 tion 202(q) of such Act (42 U.S.C. 402(q)(9)) (as  
13 amended by paragraph (1)) is amended—

14 (A) in paragraph (9)(A), by striking “five-  
15 twelfths” and inserting “the applicable fraction  
16 (determined under paragraph (13))”; and

17 (B) by adding at the end the following:

18 “(13) For purposes of paragraph (9)(A), the ‘applica-  
19 ble fraction’ for an individual who attains the age of 62  
20 in—

21 “(A) any year before 2001, is  $\frac{5}{12}$ ;

22 “(B) 2001, is  $\frac{16}{36}$ ;

23 “(C) 2002, is  $\frac{16}{36}$ ;

24 “(D) 2003, is  $\frac{17}{36}$ ;

25 “(E) 2004, is  $\frac{17}{36}$ ; and

1 “(F) 2005 or any succeeding year, is  $\frac{1}{2}$ .”.

2 (3) EFFECTIVE DATE.—The amendments made  
3 by paragraphs (1) and (2) shall apply to individuals  
4 who attain the age of 62 in years after 1999.

5 (b) DELAYED RETIREMENT.—Section 202(w)(6) of  
6 the Social Security Act (42 U.S.C. 402(w)(6)) is amend-  
7 ed—

8 (1) in subparagraph (C), by striking “and” at  
9 the end;

10 (2) in subparagraph (D), by striking “2004.”  
11 and inserting “2004 and before 2007;” and

12 (3) by adding at the end the following:

13 “(E)  $\frac{17}{24}$  of 1 percent in the case of an individ-  
14 ual who attains the age of 62 in a calendar year  
15 after 2006 and before 2009;

16 “(F)  $\frac{3}{4}$  of 1 percent in the case of an individ-  
17 ual who attains the age of 62 in a calendar year  
18 after 2008 and before 2011;

19 “(G)  $\frac{19}{24}$  of 1 percent in the case of an individ-  
20 ual who attains the age of 62 in a calendar year  
21 after 2010 and before 2013; and

22 “(H)  $\frac{5}{6}$  of 1 percent in the case of an individ-  
23 ual who attains the age of 62 in a calendar year  
24 after 2012.”.

1 **SEC. 9. IMPROVEMENTS IN PROCESS FOR COST-OF-LIVING**  
2 **ADJUSTMENTS.**

3 (a) ANNUAL DECLARATIONS OF ACHIEVED SUBSTI-  
4 TUTION BIAS CORRECTION AND PERSISTING UPPER  
5 LEVEL SUBSTITUTION BIAS.—

6 (1) ACHIEVED SUBSTITUTION BIAS CORREC-  
7 TION.—Not later than October 1, 1998, and annu-  
8 ally thereafter, the Commissioner of the Bureau of  
9 Labor Statistics shall publish in the Federal Reg-  
10 ister an estimate of the number of percentage points  
11 by which the annual rate of change in the Consumer  
12 Price Index is reduced below the rate it would other-  
13 wise have attained by reason of adjustments in the  
14 determination of such index instituted by the Bu-  
15 reau after December 31, 1997.

16 (2) UPPER LEVEL SUBSTITUTION BIAS.—Not  
17 later than August 1, 1999, and annually thereafter,  
18 the Commissioner of the Bureau of Labor Statistics  
19 shall publish in the Federal Register an estimate of  
20 the upper level substitution bias retained in the Con-  
21 sumer Price Index, expressed in terms of a percent-  
22 age point effect on the annual rate of change in the  
23 Consumer Price Index determined through the use  
24 of a superlative index that accounts for changes that  
25 consumers make in the quantities of goods and serv-  
26 ices consumed.

1 (b) FUNDING FOR CPI IMPROVEMENTS.—

2 (1) IN GENERAL.—There is hereby appro-  
3 priated to the Bureau of Labor Statistics in the De-  
4 partment of Labor, for each of fiscal years 1998,  
5 1999, and 2000, \$30,000,000 for use by the Bureau  
6 for the following purposes:

7 (A) Research, evaluation, and implementa-  
8 tion of a superlative index to estimate upper  
9 level substitution bias in the Consumer Price  
10 Index.

11 (B) Expansion of the Consumer Expendi-  
12 ture Survey and the Point of Purchase Survey.

13 (C) Implementation of revisions to the  
14 Consumer Price Index with respect to programs  
15 under title II of the Social Security Act (42  
16 U.S.C. 401 et seq.).

17 (2) REPORTS.—The Commissioner of the Bu-  
18 reau of Labor Statistics shall submit reports regard-  
19 ing the use of appropriations made under paragraph  
20 (1) to the Committee on Appropriations of the  
21 House of Representative and the Committee on Ap-  
22 propriations of the Senate upon the request of each  
23 Committee.

24 (c) INFORMATION SHARING.—The Commissioner of  
25 the Bureau of Labor Statistics may secure directly from



1 the Secretary of Commerce information necessary for pur-  
2 poses of calculating the Consumer Price Index. Upon re-  
3 quest of the Commissioner of the Bureau of Labor Statis-  
4 tics, the Secretary of Commerce shall furnish that infor-  
5 mation to the Commissioner.

6 (d) ADMINISTRATIVE ADVISORY COMMITTEE.—The  
7 Bureau of Labor Statistics shall, in consultation with the  
8 National Bureau of Economic Research, the American  
9 Economic Association, and the National Academy of Stat-  
10 isticians, establish an administrative advisory committee.  
11 The advisory committee shall periodically advise the Bu-  
12 reau of Labor Statistics regarding revisions of the Con-  
13 sumer Price Index and conduct research and experimen-  
14 tation with alternative data collection and estimating ap-  
15 proaches.

16 (e) MODIFICATIONS TO COST-OF-LIVING INDEXING  
17 OF BENEFITS.—Section 215(i)(1) of the Social Security  
18 Act (42 U.S.C. 415(i)(1)) is amended—

19 (1) by striking “Consumer Price Index” each  
20 place it occurs and inserting “Social Security Con-  
21 sumer Price Index”;

22 (2) in subparagraph (D), by striking “(as pre-  
23 pared by the Department of Labor)”; and

24 (3) in subparagraph (G), by striking the period  
25 at the end and inserting “; and”;

1 (4) by adding at the end the following:

2 “(H) the term ‘Social Security Consumer Price  
3 Index’, for a month in any year after 1999, means  
4 the Consumer Price Index for such month (as pre-  
5 pared by the Department of Labor), reflecting ad-  
6 justments to the annual rate of growth in such index  
7 equal to the greater of—

8 “(i) the excess of 0.5 percentage points  
9 over the achieved bias correction (as last pub-  
10 lished by the Secretary of Labor pursuant to  
11 section 211(a)(1) of the Strengthening Social  
12 Security Act of 1998), or

13 “(ii) the upper level substitution bias (as  
14 last published by the Secretary of Labor pursu-  
15 ant to section 211(a)(2) of the Strengthening  
16 Social Security Act of 1998).”.

17 **SEC. 10. PHASED REDUCTION IN SPOUSAL BENEFITS**

18 **OTHER THAN SURVIVOR’S BENEFITS TO 33**

19 **PERCENT OF PRIMARY INSURANCE AMOUNT.**

20 (a) WIFE’S INSURANCE BENEFITS.—Section  
21 202(b)(2) of the Social Security Act (42 U.S.C. 402(b)(2))  
22 is amended to read as follows:

23 “(2)(A) Except as provided in subsection (q) and  
24 paragraph (4) of this subsection, such wife’s insurance  
25 benefit for each month shall be equal to the applicable per-

1 centage of the primary insurance amount of her husband  
 2 (or, in the case of a divorced wife, her former husband)  
 3 for the calendar year in which such individual becomes eli-  
 4 gible for such benefit.

5 “(B) For purposes of subparagraph (A), the applica-  
 6 ble percentage for any calendar year shall be equal to 50  
 7 percent, reduced (but not below 33 percent) by 1 percent-  
 8 age point for each year after 1999.

9 “(C) For purposes of subparagraph (A)—

10 “(i) an individual shall be treated as eligible for  
 11 a wife’s insurance benefit if such individual meets  
 12 the requirements of subparagraphs (B), (C), and  
 13 (D) of paragraph (1), and

14 “(ii) in determining when an individual becomes  
 15 eligible for a wife’s insurance benefit, any break in  
 16 eligibility of less than 12 consecutive months shall  
 17 not be taken into account.”.

18 (b) HUSBAND’S INSURANCE BENEFITS.—Section  
 19 202(c)(3) of the Social Security Act (42 U.S.C. 402(c)(3))  
 20 is amended to read as follows:

21 “(3)(A) Except as provided in subsection (q) and  
 22 paragraph (2) of this subsection, such husband’s insur-  
 23 ance benefit for each month shall be equal to the applica-  
 24 ble percentage (as determined under subsection (b)(2)(B))  
 25 of the primary insurance amount of his wife (or, in the

1 case of a divorced husband, his former wife) for the cal-  
 2 endar year in which such individual becomes eligible for  
 3 such benefit.

4 “(B) For purposes of subparagraph (A)—

5 “(i) an individual shall be treated as eligible for  
 6 a husband’s insurance benefit if such individual  
 7 meets the requirements of subparagraphs (B), (C),  
 8 and (D) of paragraph (1), and

9 “(ii) in determining when an individual becomes  
 10 eligible for a husband’s insurance benefit, any break  
 11 in eligibility of less than 12 consecutive months shall  
 12 not be taken into account.”.

13 **SEC. 11. ADJUSTMENT TO UPPER 2 BENEFIT FORMULA**  
 14 **FACTORS.**

15 Section 215(a)(1)(B) of the Social Security Act (42  
 16 U.S.C. 415(a)(1)(B)) is amended—

17 (1) by redesignating clause (iii) as clause (iv);  
 18 and

19 (2) by inserting after clause (ii) the following:

20 “(iii) For individuals who initially become eligible for  
 21 old-age or disability insurance benefits, or who die (before  
 22 becoming eligible for such benefits), in any calendar year  
 23 after 2002, each of the amounts otherwise established for  
 24 purposes of clauses (ii) and (iii) of subparagraph (A)  
 25 under this subparagraph shall be multiplied the applicable

1 number of times by .98. For purposes of the preceding  
 2 sentence, the term ‘applicable number of times’ means a  
 3 number equal to the lesser of 20 or the number of years  
 4 beginning with 2003 and ending with the year of initial  
 5 eligibility or death.”

6 **SEC. 12. PHASED-IN INCREASE IN SOCIAL SECURITY RE-**  
 7 **TIREMENT AGES.**

8 (a) NORMAL RETIREMENT AGE.—Section 216(l) of  
 9 the Social Security Act (42 U.S.C. 416(l) is amended—  
 10 (1) in paragraph (1), by striking subparagraphs  
 11 (B), (C), (D), and (E) and inserting the following:

12 “(B)(i) with respect to an individual who  
 13 attains age 62 (or in the case of a widow’s or  
 14 widower’s insurance benefit, age 60) after De-  
 15 cember 31, 1999, and before January 1, 2029,  
 16 65 years of age plus  $\frac{2}{12}$  of the number of  
 17 months in the period beginning with January  
 18 2000 and ending with December of the year in  
 19 which the individual attains age 62 (or in the  
 20 case of a widow’s or widower’s insurance bene-  
 21 fit, age 60),

22 “(ii) with respect to an individual who at-  
 23 tains age 62 (or in the case of a widow’s or  
 24 widower’s insurance benefit, age 60) after De-  
 25 cember 31, 2028, 70 years of age, and

1           “(iii) with respect to an individual who at-  
 2           tains age 62 (or in the case of a widow’s or  
 3           widower’s insurance benefit, age 60) after De-  
 4           cember 31, 2029, 70 years of age plus  $\frac{1}{18}$  of  
 5           the number of months in the period beginning  
 6           with January 2030 and ending with December  
 7           of the year in which the individual attains age  
 8           62 (or in the case of a widow’s or widower’s in-  
 9           surance benefit, age 60) (rounded down to a  
 10          full month).”; and

11          (2) by striking paragraph (3).

12          (b) EARLY RETIREMENT AGE.—Section 216(l)(2) of  
 13          the Social Security Act (42 U.S.C. 416(l)(2)) is amended  
 14          to read as follows:

15          “(2) The term ‘early retirement age’ means—

16                 “(A)(i) in the case of an old-age, wife’s, or  
 17                 husband’s insurance benefit, except as provided  
 18                 in subparagraph (B), age 62, and

19                 “(ii) in the case of a widow’s or widower’s  
 20                 insurance benefit, age 60;

21                 “(B)(i) with respect to an individual who  
 22                 attains age 62 after December 31, 2011, and  
 23                 before January 1, 2029, 62 years of age plus  
 24                  $\frac{2}{12}$  of the number of months in the period be-  
 25                 ginning with January 2012 and ending with

1 December of the year in which the individual  
 2 attains age 62,

3 “(ii) with respect to an individual who at-  
 4 tains age 62 after December 31, 2028, 65 years  
 5 of age, and

6 “(iii) with respect to an individual who at-  
 7 tains age 62 after December 31, 2029, 65 years  
 8 of age plus  $\frac{1}{18}$  of the number of months in the  
 9 period beginning with January 2030 and ending  
 10 with December of the year in which the individ-  
 11 ual attains age 62 (rounded down to a full  
 12 month); and

13 **SEC. 13. MECHANISM FOR REMEDYING UNFORESEEN DETE-**  
 14 **RIORATION IN SOCIAL SECURITY SOLVENCY.**

15 (a) IN GENERAL.—Section 709 of the Social Security  
 16 Act (42 U.S.C. 910) is amended—

17 (1) by redesignating subsection (b) as sub-  
 18 section (c); and

19 (2) by striking “SEC. 709. (a) If the Board of  
 20 Trustees” and all that follows through “any such  
 21 Trust Fund” and inserting the following:

22 “SEC. 709. (a)(1)(A) If the Board of Trustees of the  
 23 Federal Old-Age and Survivors Insurance Trust Fund and  
 24 the Federal Disability Insurance Trust Fund determines  
 25 at any time, using intermediate actuarial assumptions,

1 that the balance ratio of either such Trust Fund for any  
2 calendar year during the succeeding period of 75 calendar  
3 years will be zero, the Board shall promptly submit to each  
4 House of the Congress and to the President a report set-  
5 ting forth its recommendations for statutory adjustments  
6 affecting the receipts and disbursements of such Trust  
7 Fund necessary to maintain the balance ratio of such  
8 Trust Fund at not less than 20 percent, with due regard  
9 to the economic conditions which created such inadequacy  
10 in the balance ratio and the amount of time necessary to  
11 alleviate such inadequacy in a prudent manner. The report  
12 shall set forth specifically the extent to which benefits  
13 would have to be reduced, taxes under section 1401, 3101,  
14 or 3111 of the Internal Revenue Code of 1986 would have  
15 to be increased, or a combination thereof, in order to ob-  
16 tain the objectives referred to in the preceding sentence.

17 “(B) In addition to any reports under subparagraph  
18 (A), the Board shall, not later than May 30, 2001, prepare  
19 and submit to Congress and the President recommenda-  
20 tions for statutory adjustments to the disability insurance  
21 program under title II of this Act to modify the changes  
22 in disability benefits under the Strengthening Social Secu-  
23 rity Act of 1998 without reducing the balance ratio of the  
24 Federal Disability Insurance Trust Fund. The Board shall  
25 develop such recommendations in consultation with the



1 National Council on Disability, taking into consideration  
2 the adequacy of benefits under the program, the relation-  
3 ship of such program with old age benefits under such  
4 title, and changes in the process for determining initial  
5 eligibility and reviewing continued eligibility for benefits  
6 under such program.

7 “(2)(A) The President shall, no later than 30 days  
8 after the submission of the report to the President, trans-  
9 mit to the Board and to the Congress a report containing  
10 the President’s approval or disapproval of the Board’s rec-  
11 ommendations.

12 “(B) If the President approves all the recommenda-  
13 tions of the Board, the President shall transmit a copy  
14 of such recommendations to the Congress as the Presi-  
15 dent’s recommendations, together with a certification of  
16 the President’s adoption of such recommendations.

17 “(C) If the President disapproves the recommenda-  
18 tions of the Board, in whole or in part, the President shall  
19 transmit to the Board and the Congress the reasons for  
20 that disapproval. The Board shall then transmit to the  
21 Congress and the President, no later than 60 days after  
22 the date of the submission of the original report to the  
23 President, a revised list of recommendations.

24 “(D) If the President approves all of the revised rec-  
25 ommendations of the Board transmitted to the President

1 under subparagraph (C), the President shall transmit a  
2 copy of such revised recommendations to the Congress as  
3 the President's recommendations, together with a certifi-  
4 cation of the President's adoption of such recommenda-  
5 tions.

6       “(E) If the President disapproves the revised rec-  
7 ommendations of the Board, in whole or in part, the Presi-  
8 dent shall transmit to the Board and the Congress the  
9 reasons for that disapproval, together with such revisions  
10 to such recommendations as the President determines are  
11 necessary to bring such recommendations within the  
12 President's approval. The President shall transmit a copy  
13 of such recommendations, as so revised, to the Board and  
14 the Congress as the President's recommendations, to-  
15 gether with a certification of the President's adoption of  
16 such recommendations.

17       “(3)(A) This paragraph is enacted by Congress—

18               “(i) as an exercise of the rulemaking power of  
19 the Senate and the House of Representatives, re-  
20 spectively, and as such it is deemed a part of the  
21 rules of each House, respectively, but applicable only  
22 with respect to the procedure to be followed in that  
23 House in the case of a joint resolution described in  
24 subparagraph (B), and it supersedes other rules only

1 to the extent that it is inconsistent with such rules;  
2 and

3 “(ii) with full recognition of the constitutional  
4 right of either House to change the rules (so far as  
5 relating to the procedure of that House) at any time,  
6 in the same manner, and to the same extent as in  
7 the case of any other rule of that House.

8 “(B) For purposes of this paragraph, the term ‘joint  
9 resolution’ means only a joint resolution which is intro-  
10 duced within the 10-day period beginning on the date on  
11 which the President transmits the President’s rec-  
12 ommendations, together with the President’s certification,  
13 to the Congress under subparagraph (B), (D), or (E) of  
14 paragraph (2), and—

15 “(i) which does not have a preamble;

16 “(ii) the matter after the resolving clause of  
17 which is as follows: ‘That the Congress approves the  
18 recommendations of the President as transmitted on  
19 \_\_\_\_ pursuant to section 709(a) of the Social Secu-  
20 rity Act, as follows: \_\_\_\_\_’, the first blank space  
21 being filled in with the appropriate date and the sec-  
22 ond blank space being filled in with the statutory ad-  
23 justments contained in the recommendations; and

1           “(iii) the title of which is as follows: ‘Joint reso-  
2           lution approving the recommendations of the Presi-  
3           dent regarding social security.’.

4           “(C) A joint resolution described in subparagraph  
5 (B) that is introduced in the House of Representatives  
6 shall be referred to the Committee on Ways and Means  
7 of the House of Representatives. A joint resolution de-  
8 scribed in subparagraph (B) introduced in the Senate  
9 shall be referred to the Committee on Finance of the Sen-  
10 ate.

11          “(D) If the committee to which a joint resolution de-  
12 scribed in subparagraph (B) is referred has not reported  
13 such joint resolution (or an identical joint resolution) by  
14 the end of the 20-day period beginning on the date on  
15 which the President transmits the recommendation to the  
16 Congress under paragraph (2), such committee shall be,  
17 at the end of such period, discharged from further consid-  
18 eration of such joint resolution, and such joint resolution  
19 shall be placed on the appropriate calendar of the House  
20 involved.

21          “(E)(i) On or after the third day after the date on  
22 which the committee to which such a joint resolution is  
23 referred has reported, or has been discharged (under sub-  
24 paragraph (D)) from further consideration of, such a joint  
25 resolution, it is in order (even though a previous motion

1 to the same effect has been disagreed to) for any Member  
2 of the respective House to move to proceed to the consider-  
3 ation of the joint resolution. A Member may make the mo-  
4 tion only on the day after the calendar day on which the  
5 Member announces to the House concerned the Member's  
6 intention to make the motion, except that, in the case of  
7 the House of Representatives, the motion may be made  
8 without such prior announcement if the motion is made  
9 by direction of the committee to which the joint resolution  
10 was referred. All points of order against the joint resolu-  
11 tion (and against consideration of the joint resolution) are  
12 waived. The motion is highly privileged in the House of  
13 Representatives and is privileged in the Senate and is not  
14 debatable. The motion is not subject to amendment, or  
15 to a motion to postpone, or to a motion to proceed to the  
16 consideration of other business. A motion to reconsider the  
17 vote by which the motion is agreed to or disagreed to shall  
18 not be in order. If a motion to proceed to the consideration  
19 of the joint resolution is agreed to, the respective House  
20 shall immediately proceed to consideration of the joint res-  
21 olution without intervening motion, order, or other busi-  
22 ness, and the joint resolution shall remain the unfinished  
23 business of the respective House until disposed of.

24       “(ii) Debate on the joint resolution, and on all debat-  
25 able motions and appeals in connection therewith, shall be

1 limited to not more than 2 hours, which shall be divided  
2 equally between those favoring and those opposing the  
3 joint resolution. An amendment to the joint resolution is  
4 not in order. A motion further to limit debate is in order  
5 and not debatable. A motion to postpone, or a motion to  
6 proceed to the consideration of other business, or a motion  
7 to recommit the joint resolution is not in order. A motion  
8 to reconsider the vote by which the joint resolution is  
9 agreed to or disagreed to is not in order.

10       “(iii) Immediately following the conclusion of the de-  
11 bate on a joint resolution described in subparagraph (B)  
12 and a single quorum call at the conclusion of the debate  
13 if requested in accordance with the rules of the appro-  
14 priate House, the vote on final passage of the joint resolu-  
15 tion shall occur.

16       “(iv) Appeals from the decisions of the Chair relating  
17 to the application of the rules of the Senate or the House  
18 of Representatives, as the case may be, to the procedure  
19 relating to a joint resolution described in subparagraph  
20 (B) shall be decided without debate.

21       “(F)(i) If, before the passage by one House of a joint  
22 resolution of that House described in subparagraph (B),  
23 that House receives from the other House a joint resolu-  
24 tion described in subparagraph (B), then the following  
25 procedures shall apply:

1           “(I) The joint resolution of the other House  
2           shall not be referred to a committee and may not be  
3           considered in the House receiving it except in the  
4           case of final passage as provided in subclause (II).

5           “(II) With respect to a joint resolution de-  
6           scribed in subparagraph (B) of the House receiving  
7           the joint resolution, the procedure in that House  
8           shall be the same as if no joint resolution had been  
9           received from the other House, but the vote on final  
10          passage shall be on the joint resolution of the other  
11          House.

12          “(ii) Upon disposition of the joint resolution received  
13          from the other House, it shall no longer be in order to  
14          consider the joint resolution that originated in the receiv-  
15          ing House.

16          “(b) If the Board of Trustees of the Federal Hospital  
17          Insurance Trust Fund or the Federal Supplementary  
18          Medical Insurance Trust Fund determines as any time  
19          that the balance ratio of either such Trust Fund”.

20          (b) CONFORMING AMENDMENTS.—

21                 (1) Section 709(b) of such Act (as amended by  
22                 subsection (a) of this section) is amended by striking  
23                 “any such” and inserting “either such”.

1           (2) Section 709(c) of such Act (as redesignated  
2       by subsection (a) of this section) is amended by in-  
3       serting “or (b)” after “subsection (a)”.

○